



TIKKURILA

Financial Statement Release January–December 2014

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February 10, 2015



Disclaimer

In this presentation, all forward-looking statements in relation to the company or its business are based on the management judgment, and macroeconomic or general industry data are based on third-party sources, and actual results may differ from the expectations and beliefs such statements contain.



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Development during the review period

Highlights of Q4/2014

Development Q4/2014 vs. Q4/2013

- Weakening of the currencies decreased revenue
- Operating loss excl. non-recurring items increased due to decrease in revenue, weak currencies, and higher sales and marketing expenses
- Market environment turned from challenging to difficult

Key figures

EUR million	10-12/2014	10-12/2013	Change %
Revenue	104.4	116.7	-10.5%
EBIT excluding non-recurring items	-13.2	-4.2	-211.3%
EBIT excluding non-recurring items, %	-12.6%	-3.6%	
EBIT	-13.9	-5.2	-167.5%
EBIT, %	-13.3%	-4.4%	
EPS, EUR	-0.19	-0.11	-69.9%
Cash flow after capital expenditure	7.6	11.4	-33.1%



Full year highlights

Development 2014 vs. 2013

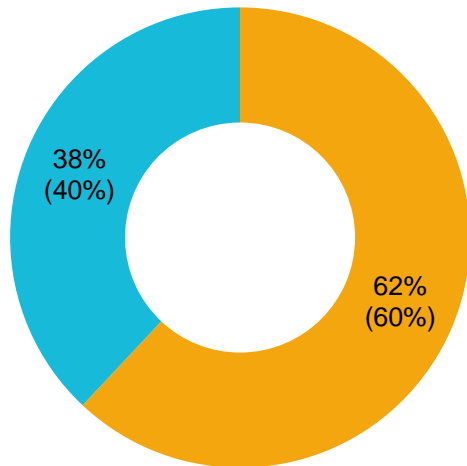
- Revenue decreased mainly due to the weakening of key currencies
- Decline in revenue and weakening of the key currencies had a negative impact on profitability
- Acquisitions weakened the cash flow
- Good net income kept the dividend distribution capability stable

Key figures

EUR million	1-12/2014	1-12/2013	Change %
Revenue	618.4	653.0	-5.3%
EBIT excluding non-recurring items	64.2	72.6	-11.6%
EBIT excluding non-recurring items, %	10.4%	11.1%	
EBIT	63.7	71.5	-10.9%
EBIT, %	10.3%	10.9%	
EPS, EUR	1.10	1.14	-3.5%
ROCE, %, rolling	22.9%	23.5%	
Cash flow after capital expenditure	49.9	66.9	-25.5%
Net interest-bearing debt at period-end	47.4	48.6	-2.6%
Gearing, %	24.6%	23.4%	
Equity ratio, %	49.5%	50.1%	
Personnel at period-end	3,142	3,133	0.3%

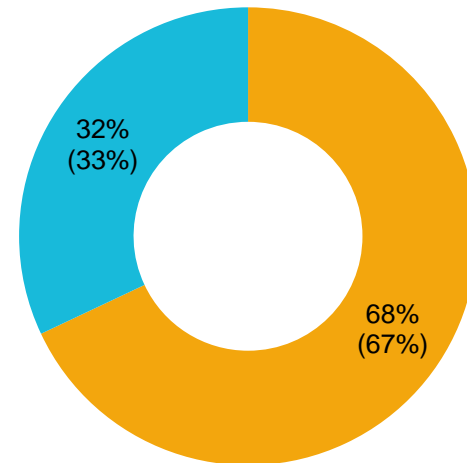
Revenue and EBIT split January–December 2014

Revenue by reporting segment



■ West ■ East

EBIT* by reporting segment



■ West ■ East

Decorative paints accounted for 83.4% (84.1) and industrial coatings for 16.6% (15.9) of revenue

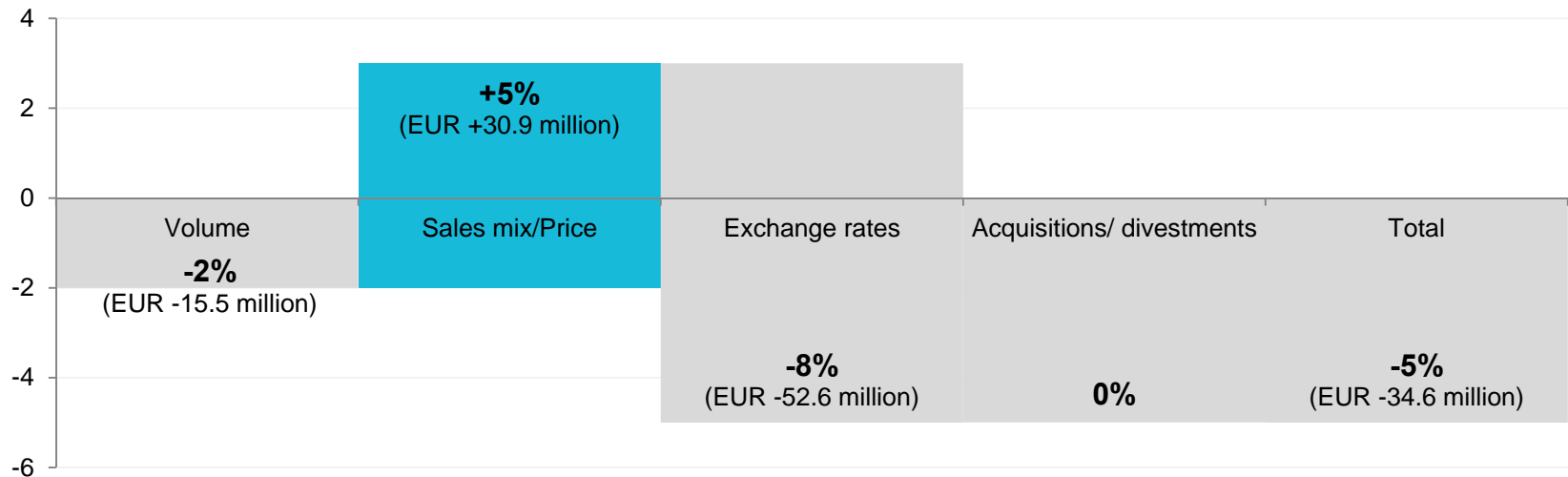
* Excluding non-recurring and Group items

Weak currencies had a significant negative impact on the euro-denominated revenue

EUR million	10–12/2014	10–12/2013	Change %	1–12/2014	1–12/2013	Change %
Revenue	104.4	116.7	-10.5%	618.4	653.0	-5.3%

Group's revenue development 2014 vs. 2013

Increase/decrease, %





Balance sheet

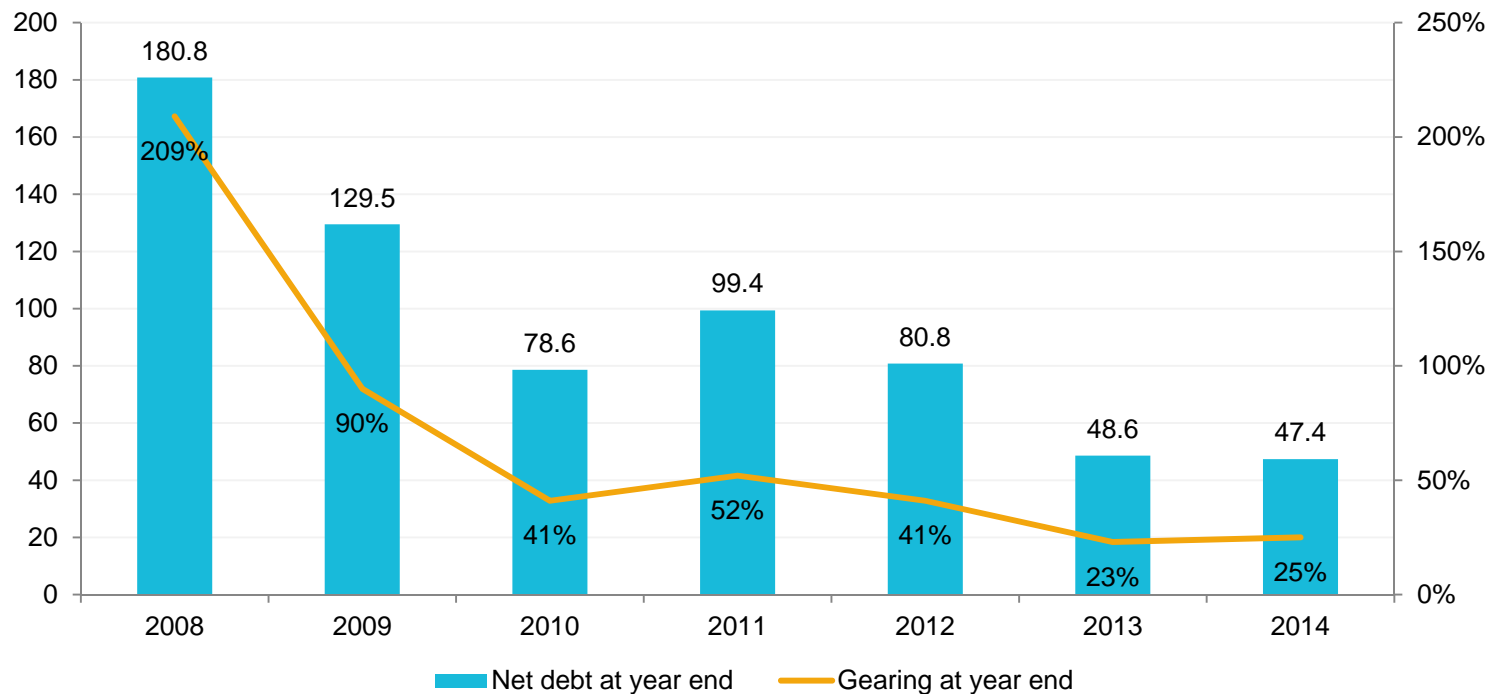
Assets		
EUR million	Dec 31, 2014	Dec 31, 2013
Goodwill	72.5	66.4
Other intangible assets	18.4	20.8
Property, plant and equipment	90.3	104.2
Other non-current assets	16.1	19.3
Total non-current assets	197.3	210.8
Inventories	73.7	79.7
Current receivables	93.1	95.6
Cash and cash equivalents	25.8	29.2
Total current assets	192.6	204.5
Total assets	389.8	415.3

Equity and liabilities		
EUR million	Dec 31, 2014	Dec 31, 2013
Share capital	35.0	35.0
Reserves	41.9	42.2
Treasury shares	-1.6	-
Translation differences	-39.6	-16.4
Retained earnings	157.0	147.4
Total equity	192.7	208.1
Interest-bearing non-current liabilities	60.3	60.3
Non-interest-bearing non-current liabilities	36.2	35.0
Interest-bearing current liabilities	12.8	17.5
Non-interest-bearing current liabilities	87.8	94.5
Total liabilities	197.2	207.2
Total equity and liabilities	389.8	415.3

Net debt and gearing

EUR million

Gearing, %



Due to the intra-year seasonality in Tikkurila's business, gearing is typically at its lowest at the end of the year



Cash flow statement

Cash flow from operating activities

EUR million	1–12/2014	1–12/2013
Net profit	48.3	50.1
Adjustments	38.1	46.8
Funds from operations before change in net working capital	86.4	96.9
Change in net working capital	6.2	6.4
Interest and financial items, net	2.6	-3.9
Income tax paid	-19.3	-20.1
Cash flow from operations	75.9	79.2

Cash flow from investing and financing activities

EUR million	1–12/2014	1–12/2013
Acquisitions	-14.4	-0.4
Capital expenditures	-16.3	-14.3
Disposals	3.3	1.6
Other investment items, net	1.4	0.9
Net cash used in investing activities	-26.1	-12.3
Cash flow before financing	49.9	66.9
EUR million	1–12/2014	1–12/2013
Change in non-current debt	-2.4	-
Change in current debt	-5.9	-18.4
Dividend payout	-35.3	-33.5
Other financing items, net	-9.6	-1.2
Net cash used in financing activities	-53.2	-53.1
Net change in cash and cash equivalents	-3.3	13.9

Strategic Business Units

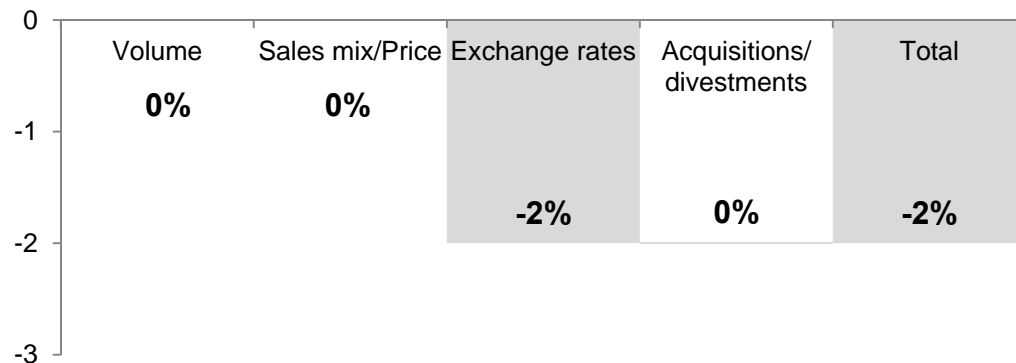


SBU West 2014

EUR million	10-12/2014	10-12/2013	Change %	1-12/2014	1-12/2013	Change %
Revenue	68.3	68.2	0.1%	382.5	388.6	-1.6%
EBIT*	-8.1	-4.6	-75.4%	45.8	50.9	-10.1%
EBIT*, %	-11.9%	-6.8%		12.0%	13.1%	

Revenue development 2014 vs. 2013

Increase/decrease, %



2014 highlights

- Weak currencies decreased revenue
- Weak currencies and higher fixed costs hampered profitability
- Development of business operations was good in Poland and the Baltic countries

* Excluding non-recurring items



Tikkurila to introduce a new brand in Scandinavia

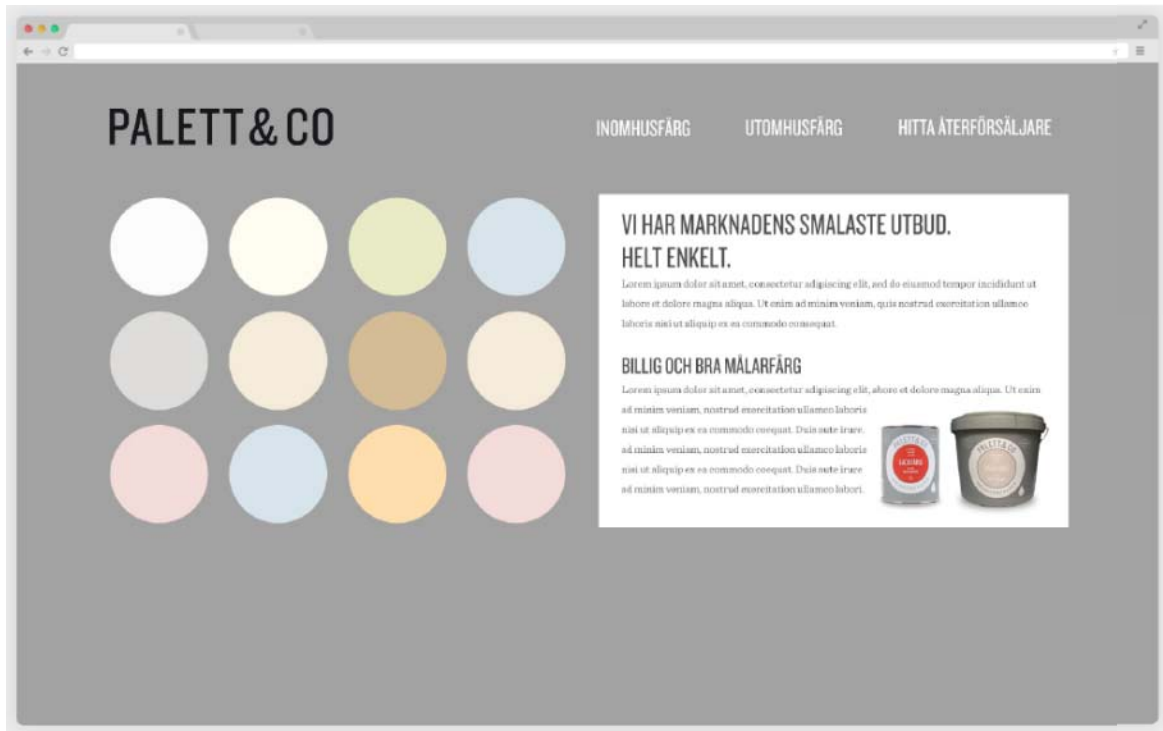
- Limited assortment of interior and exterior paints
- All products are in ready-made shades
- Economic alternative for price-conscious consumers
- Launch to take place in early 2015

PALETT & CO



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Success defines the future steps

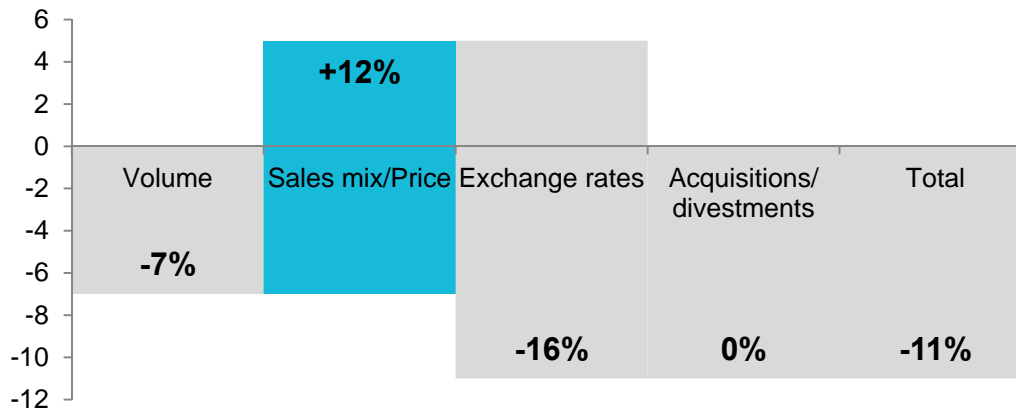


SBU East 2014

EUR million	10-12/2014	10-12/2013	Change %	1-12/2014	1-12/2013	Change %
Revenue	36.2	48.4	-25.3%	236.0	264.4	-10.7%
EBIT*	-4.9	1.1		21.3	24.7	-13.7%
EBIT*, %	-13.7%	2.2%		9.0%	9.3%	

Revenue development 2014 vs. 2013

Increase/decrease, %



* Excluding non-recurring items

2014 highlights

- Revenue decreased particularly due to the weakened Russian ruble, but also the steep weakening of the Ukrainian hryvnia
- Retailers increased their inventories at the end of the year in anticipation of price hikes
- Profitability was burdened by the decline in revenue and weak currencies

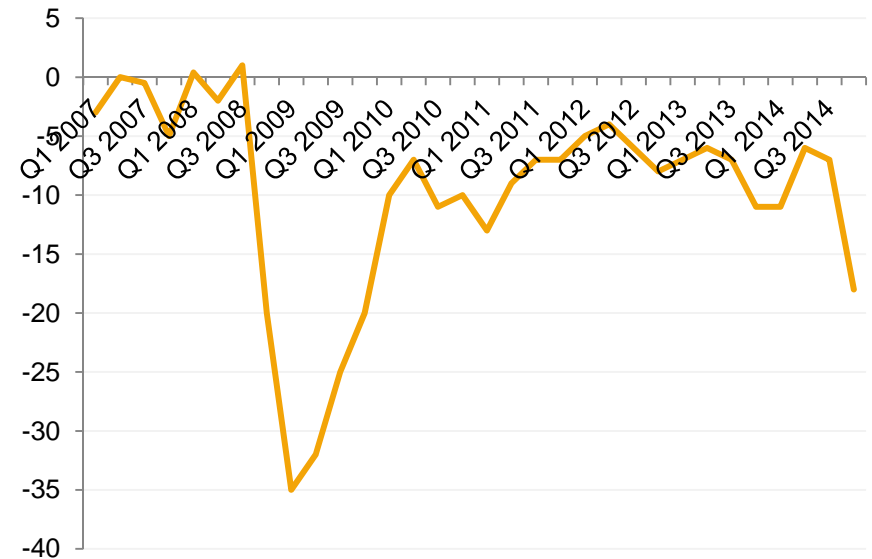
Operating environment is exceptionally difficult in Russia

EUR RUB exchange rate



- Russian ruble has been steeply depreciating during the past few months due to e.g. decreasing oil price

Russian consumer confidence

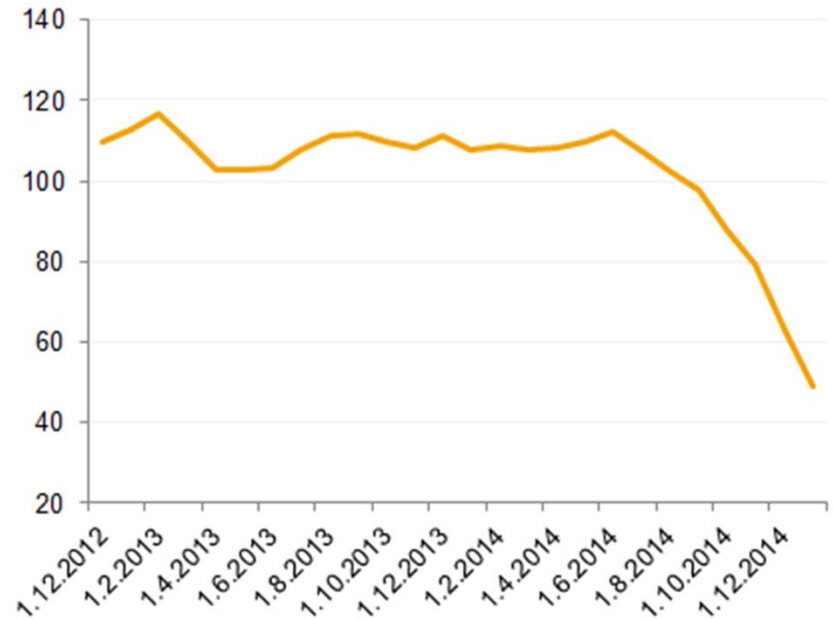


- In the last quarter, consumer confidence weakened clearly

Impact of oil price changes on Tikkurila

- Changes in oil prices will have a delayed impact on many of the raw materials and packaging materials Tikkurila uses
- The drop in oil prices will reduce our raw material costs, but the lower costs will be partly offset by the stronger dollar
- Falling oil prices will have a significant negative impact on the ruble exchange rate and the Russian economy in particular, and with that, an overall adverse effect on Tikkurila's operations

Oil price development, USD



Conclusions and outlook

Conclusions

- General economic development was weak
- Geopolitical tensions and weak economic situation impacted negatively in the east, more stable development in the west
- Cash flow from operations remained strong and profitability continued at a relatively good level
- Measures to boost sales volumes will be continued in all market areas

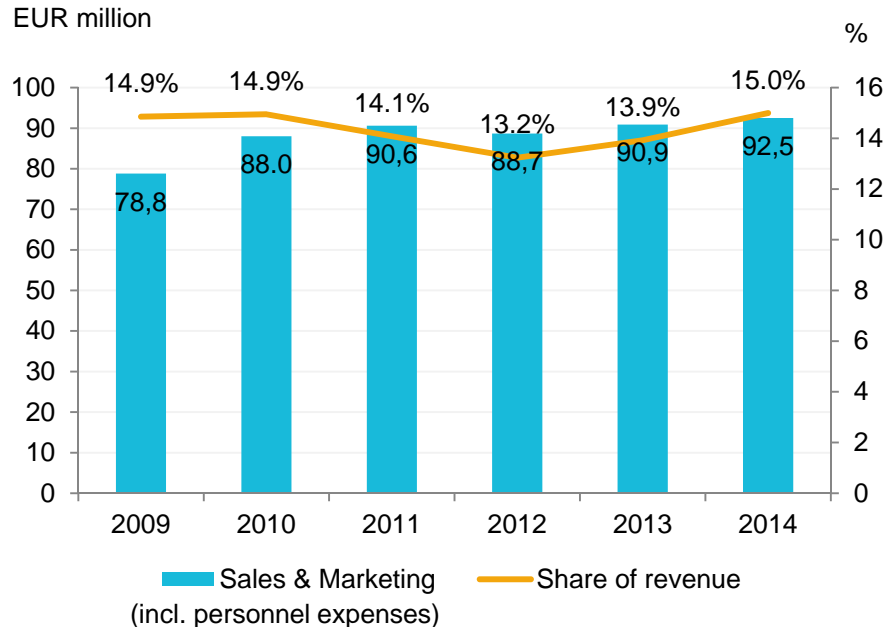




Outlook for Russia remains weak

- Russian GDP is expected to decrease clearly although there is a wide variation between estimates (decline of 3-15%). Oil price is expected to increase at the end of the year, at the earliest
- Inflation is high (10-12%) and the purchasing power of consumers declines
- Demand for paint will decrease and the market share of cheap paints is likely to increase
- Weak ruble will decrease Tikkurila's euro-denominated revenue clearly (2014 average rate for EURRUB 51.0 vs. 75.0 in January 2015)
- There is a lead-time before Tikkurila's price increases will take effect
- We aim at increasing our visibility and shelf space
- Growth will be sought actively in other markets

Sales & Marketing



- In 2015, sales and marketing expenses are estimated to remain at the past few years' level as a percentage of revenue



- In China, Tikkurila already has 250 Tikkurila brand stores operated by third parties



Tikkurila has created a Scandinavian collection of wallpaper and paints

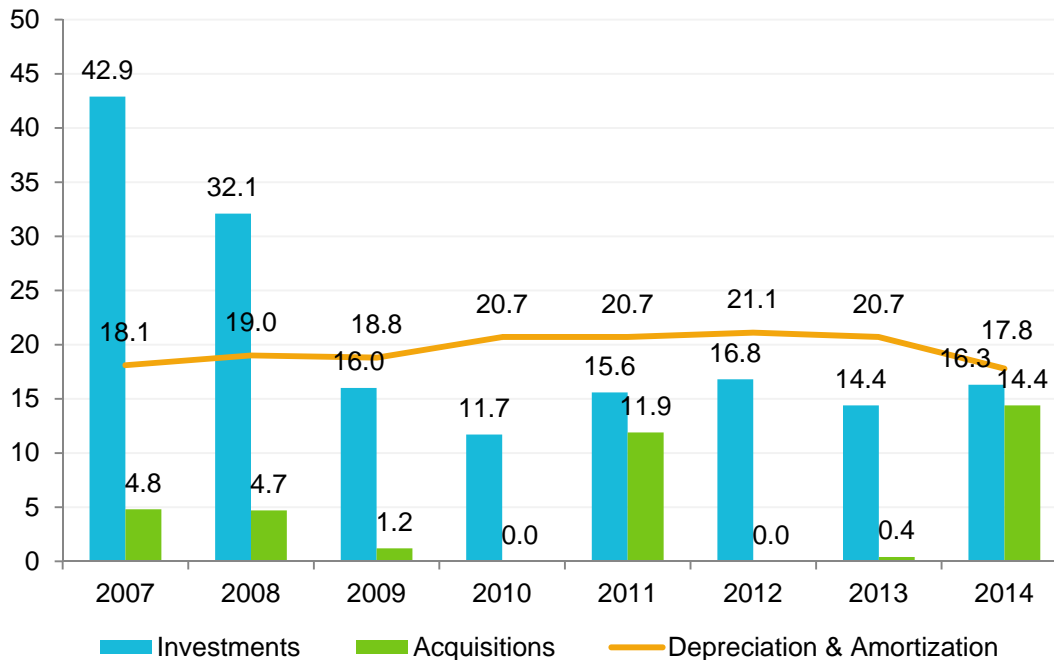
- Modern, inspiring, and colorful wallpaper and paint collection created by Nordic designers
- 6 patterns in 3 coloring versions, each matching with a paint shade from Tikkurila Feel the color collection
- Duett is a full-matt water-borne interior paint and it has the Nordic Swan and EU Ecolabel
- Collection will be available in stores e.g. in Finland, Russia, Poland, and China in Spring 2015



Wallpaper: Woods
Paint: H484 Mulberry

Investments and D&A

EUR million

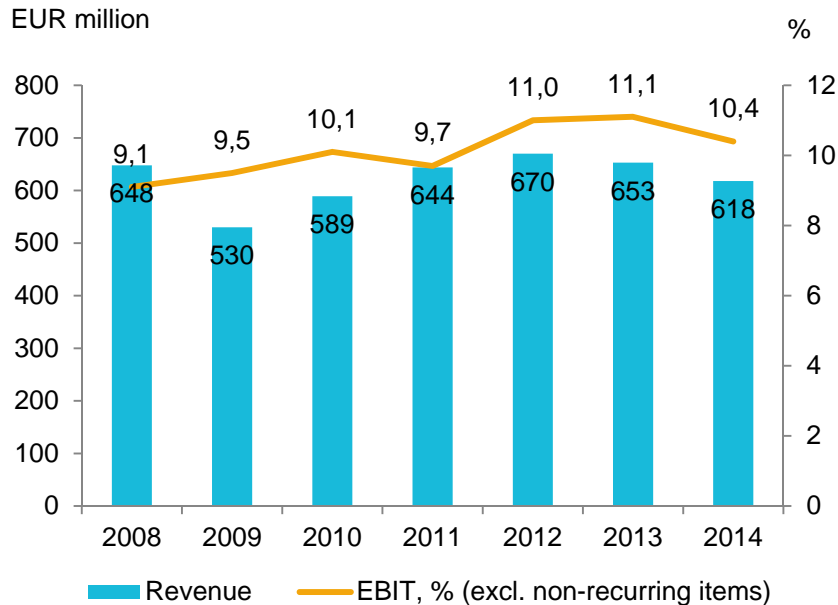


- Various measures to secure production automation, streamlining and continuity continue in various Tikkurila units
- 2015 capital expenditure level is estimated to be close to the annual depreciation and amortization level

Investments and acquisitions are presented on cash flow basis and excluding any impacts of divestments
 Depreciation and amortization are presented excluding non-recurring impairments

Guidance for 2015

Revenue and profitability of Tikkurila 2008–2014



Outlook and guidance for 2015

The geopolitical tensions, low oil prices and the weak ruble will make a difficult operating environment for 2015. The Russian economy is anticipated to weaken considerably, and the EU region is expected to see a slow recovery. The demand for paint is anticipated to reduce in Russia, with a relative increase expected in the market share of the lower price and quality grade products. Demand in the EU region is expected to remain close to last year's level. Tikkurila will increase sales prices mainly in Russia to partly, not fully, compensate for the effects of the weak ruble. As in the previous years, Tikkurila will continue investing in sales and marketing in order to strengthen its market position. The level of costs is being continuously monitored.

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2015 to be below the 2014 level.



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